



P. O. Box 366, Route 168
West Pittsburg, PA 16160
(724) 535-4357
FAX: (724) 535-7761

Office of the President

TO: Shareholders and Investors

FROM: Joseph R. Jackman

DATE: 1/14/05

SUBJECT: **President's Monthly Review**

I am going to try to send out a brief update on our progress each month to shareholders and investors.

1. Cash Problem Solved

Since our Board meeting of November 17, we were notified that the Valentine Group decided against the \$250,000 investment in debentures and the decision on the \$100,000 sale of the two ingot chippers expected in December to MCPT of France has been delayed. We are shipping one ingot chipper next week to MCPT for a qualification test. If everything is successful, we should be able to consummate a sale of \$50,000 - \$75,000 by April 1. This created a cash problem that was resolved by Jim Rich and Irv Gruber investing another \$100,000 the first week of January and Gary Linsted, Gene Campbell and me putting in another \$50,000 by February 18.

2. New Product Quality and Customer Feedback

Since restarting production the first of November, we have shipped one truck to Almamet and one truck to Rossborough. Alexander Rhomberg, President of Almamet, said the representative sample he received of the shipment that was made late November was "beautiful" and that, if the shipment is similar to the sample, they are ready to begin purchasing two to three truckloads per month beginning in February. The November shipment arrived Rotterdam December 28 and should be at Almamet's plant sometime this week.

Rossborough received a shipment of our new material early November and is very pleased with the new granulation. I met with them on January 4 in Cleveland and they gave us orders for three truckloads between now and February 10. If the quality (granulation and oil content) is okay, they will be in a position to resume purchases of about three trucks per month. The improper granulation and oil content affects injection flowability of the reagent in the hot metal ladle. They will be increasing their blending rates from about 5-10% to 10-20%. As they gain confidence in our quality reliability, they will keep increasing their

Based on our present knowledge gained from our temporary OMS operation, it is estimated that it is possible that 30-40% of the material prepared at the OMS crushing operation can by-pass the SMT wash and go directly to the new dryer and then grinding. We are actually removing oil at the OMS operation.

7. Lease Agreement

Chuck Willison is attempting to finalize the Lease Agreement with the Trustee. Just in case we run into any problems, we are keeping our attorney, George Snyder of Stonecipher, up to date.

8. Sky Bank and MELF Expanded Scope

To eliminate the problems we had with MELF, Sky Bank has agreed to look at the possibility of financing the balance of our project through a low interest SBA guarantee or bridge loan to circumvent the time delay we experienced on the 1st phase of our project. There is approximately \$450,000 required to complete the project enabling us to produce 12-14 trucks per month. Jim Rich has recommended that we move forward for the next six months without any need for MELF financing or additional equipment installation. Our 6-7 truckload forecast for the next six months does not rely on any equipment we do not have on site and operational. The Trommel screen and Porcupine dryer are not required to achieve the 6-7 trucks per month but should definitely increase processing efficiency and lower our cost.

JRJ/mjl

A handwritten signature in cursive script, appearing to read "Joe Jackson".